

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

REG-2009-00018

April 15, 2010

**FINAL STATEMENT OF REASONS AND
UPDATED INFORMATIVE DIGEST**

INTRODUCTION AND UPDATED INFORMATIVE DIGEST

On November 12, 2009, California Insurance Commissioner Steve Poizner held a public hearing to discuss proposed changes to the Plan of Operations Manual for the California Low Cost Automobile (“CLCA”) Insurance program. No member of the public presented oral testimony at the public hearing. Similarly, the Commissioner did not receive any public comments concerning the proposed changes to the Plan of Operations.

Commissioner Poizner has determined, after public hearing and opportunity for comment, to adopt the proposed changes to the Plan of Operations Manual as originally proposed.

California Insurance Code section 11629.7(d) provides that the Commissioner shall approve a reasonable plan for the equitable apportionment of Low Cost Automobile business and that such plan shall be established within the California Automobile Assigned Risk Plan, as set forth in section 11620. By this proposed rulemaking action, the Commissioner hereby intends to incorporate the amendments to the CLCA program Plan of Operations set forth within the rulemaking file.

Following discussions with the Office of Administrative Law (“OAL”), the rulemaking file has been revised in order to include new or corrected materials that should have been included in the rulemaking file when originally submitted. Specifically, the following materials have been added and/or replaced within the rulemaking file:

- Minutes from the rulemaking hearing were added to the file, indicating the time, date and place of the rulemaking hearing, as well as a description of persons in attendance and whether any persons testified at the rulemaking hearing.
- A revised and corrected Final Regulation Text for the Plan of Operations. Although the originally-proposed regulation text did not track seamlessly with the current text of the Plan of Operations, the differences between the two documents were non-substantive. The corrected text has rectified these technical, non-substantive errors so that the text now accurately reflects the differences between the current Plan of Operations and the Plan of Operations as revised by this rulemaking action. Notably, the Initial Statement of Reasons fully identified the reasons for the substantive revisions to the regulation text and no persons submitted comments regarding these revisions.

- Original and revised Form 126 has been added to the rulemaking file as part of the Final Plan of Operations Text (rulemaking file Tab 12). The revisions to Form 126 replaced the old version date (06/08) with the new version date (03/09). This new version date primarily reflects the version that was approved in accordance with OAL file number 2009-0107-01S. Additionally, the 03/09 version includes a technical non-substantive change not found in OAL file number 2009-0107-01S on page 5. Specifically, version 03/09 of Form 126 removed the clause: "...THAT THE APPLICANT RESIDES OR IS DOMICILED IN ONE OF THE APPROVED COUNTIES..." and replaced the clause with: "...THAT THE APPLICANT RESIDES OR IS DOMICILED IN THIS STATE AND IN THE COUNTY SHOWN ON THE APPLICATION..." This change is reasonably necessary to reflect the fact that all California counties are now eligible for the California Low Cost program. This change is also non-substantive because it conforms to existing law, which authorized the Commissioner to make the California Low Cost program available to all California counties. (See Ins. Code § 11629.79(c).) From 2005 through 2009, a succession of rulemaking actions resulted in the expansion of the Low Cost program to all 58 counties. The final rulemaking file that expanded the Low Cost program to the remaining counties is identified by OAL file number 2008-0605-02C.
- Original and revised form 127 has been added to the rulemaking file as part of the Final Plan of Operations Text (rulemaking file Tab 12). The revisions to Form 127 replaced the old version date (01/01/06) with the new version date (03/09). This new version date primarily reflects the version that was approved in accordance with OAL file number 2009-0107-01S. With the exception of the version date, page one of Form 127 version 03/09 is identical to version 01/01/06. Page two of Form 127 represents a new addition to the form. This page contains a summary of existing laws relevant to Form 127. Portions of sections 22 and 29 of the Plan of Operations are summarized. Certain requirements of the Insurance Code are also summarized, including Insurance Code sections 11629.73 (compare with form 127 criteria B and D) and 11629.78 (compare with form 127 criterion E). Each of these changes are non-substantive because the changes restate existing law and do not materially alter the rights, responsibilities, conditions or prescriptions contained in existing law.
- A cover page to the Plan of Operations was inserted as part of the Final Plan of Operations Text (rulemaking file Tab 12), reflecting that the Plan of Operations is current as of the date of approval for this rulemaking file.

MANDATES

The regulations do not impose a mandate on local agencies or school districts.

COMPARABLE FEDERAL LAW

There are no comparable existing federal regulations or statutes.

IDENTIFICATION OF STUDIES

The Commissioner did not rely upon any data or technical, theoretical or empirical study, report or similar document in developing these regulations.

SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed regulations will not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner has determined that no reasonable alternatives exist to carry out the purpose for which the regulations are proposed. Performance standards were considered but were rejected as unworkable. While the Commissioner invited public comments on the proposed changes and reasonable alternatives which would be as effective to carry out the proposed changes, no alternatives were proposed by the public.

ECONOMIC IMPACT ON SMALL BUSINESS

The Commissioner has not identified any alternatives that would lessen any adverse impact on small businesses. Nor have any such alternatives otherwise been identified and brought to the attention of the Commissioner that would lessen any impact on small business. To the extent that the proposed regulations affect insurance companies, the proposed regulations do not affect small businesses. (See Gov. Code § 11342.610.)

INCORPORATION BY REFERENCE OF INITIAL STATEMENT OF REASONS

In the event that a requirement of Government Code section 11346.9 may be satisfied by a statement made in the Initial Statement of Reasons for this regulation, the Initial Statement of Reasons is hereby incorporated by reference within the Final Statement of Reasons.

SUMMARY AND RESPONSE TO COMMENT

The Commissioner did not receive any comments regarding this rulemaking.